



Directors' Report & Management Discussion and Analysis

The Board of Directors of National Marine Dredging Company ("NMDC" or the "Group") have the pleasure of presenting the 2023 Annual Report along with the audited financial statements as at and for the year ended 31 December 2023.

Highlights

- 2023 will be engraved in the NMDC Group history as a special year, one in which the Group crossed the AED 2 billion net profit mark after two consecutive years of crossing the AED 1 billion threshold. The Group doubled its net profit after almost three years into the merger with NMDC Energy (formerly known as National Petroleum Construction Company ("NPCC")) which took place on 11 February 2021.
- This year's exceptional financial performance, marked by a remarkable increase in both revenues and net profits, is not just a testament to our financial success but also reflects our commitment to strategic goals and momentum in growth. Our dedication to delivering dynamic, high-quality services has solidified our global presence in executing pivotal strategic projects, contributing significantly to comprehensive economic development in the markets in which we operate.
- In FY2023, NMDC reported total revenues of AED 16.7 billion, a 56% surge from the previous year's AED 10.7 billion. This upward trajectory is further mirrored in the Group's net profits, which soared to AED 2.15 billion, marking a 65% increase from the AED 1.3 billion achieved in 2022.
- The Group's assets reached a value of AED 20.8 billion in 2023 from AED 16.0 billion in 2022, coupled with an extensive order backlog valued at AED 54 billion. These figures are a testament to NMDC's robust development initiatives and strategic geographic expansion, further enhancing its leadership in engineering, procurement, construction, and marine dredging sectors.
- NMDC Group is continuously spreading its wings, raising its ambition and actively participating in the Marine and EPC markets, which is reflected in the diversified portfolio of projects in hand.

- The Geographical spread of the Group's consolidated revenue of AED 16,708 million (2022: AED 10,685 million) presented in the pie chart below represents the Group's strong presence in Middle East and North Africa (MENA) region.



- As a testament to its continuing growth, the Group has been awarded a number of new projects in 2023 and in 2024, as summarised below:

FY2023

- Al Hudayriyat Island PDA – Enabling Works Package – Dredging, Grading and Filling and Ground Improvement Works awarded by The Modon Properties.
- Estidama-Sales Gas Pipeline Network Enhancement project - ADNOC Gas Processing - EPC of pipeline and associated facilities to transport Sales Gas from Habshan to customers in Northern Emirates. This project is awarded in consortium with C.A.T International LTD - Abu Dhabi Branch.
- Abu Dhabi National Oil Company "ADNOC" - EPC works for Installation of Seven (7) Jackets.
- ADNOC Gas awarded (MERAM) Maximizing Ethane Recovery and Monetization in partnership with Tecnicas Reunidas. The Group has 50% share in this contract.



- EPC works for replacement of 125 km of 20" Main Oil Line (MOL) from Umm Lulu to Zirku Island awarded by ADNOC Offshore.
- ADNOC has awarded the Group the EPC contract for the Hail & Ghasha offshore development project as a joint venture with Italian oilfield services company Saipem. The Group has a 50% share in this contract.

January 2024

- ADNOC has awarded NMDC a project for the construction of Al Nouf Artificial Island, and to Das Island Reclamation project for TAMKEEN.
- NPC "National Projects & Construction LLC" has awarded the Group a project for the first phase of the Tilal Al Reem project.

• Other events/highlights

- NMDC Group has earned a spot on the Forbes Middle East list of the top 100 sustainability leaders in the region, ranking second in the construction field.
- NMDC Group CEO Eng. Yasser Zaghloul has been recognised and listed 18th among the Top 100 CEO's in the region, as ranked by Forbes Middle East. This prestigious accolade is a testament to his dedication, strategic vision, and tireless commitment to our success.
- NMDC Energy (formerly known as National Petroleum Construction Company ("NPCC")), a subsidiary of NMDC, has been ranked the number one EPC Company in the Middle East, consecutively for the second year.
- The Group has signed a MOU with Abu Dhabi Chamber of Commerce and Industry to engage Abu Dhabi based suppliers in key strategic projects as part of its support and to increase in-country value. As a result of the same, the "Let's Grow Together" initiative will be launched in order to improve the supplier awareness of market demands.
- As part of the Group's International presence, the Group has actively participated in the Egypt Petroleum Show, in addition to MARLOG in Alexandria Egypt, to further strengthen its presence in the Egyptian market.
- The Group has signed an MOU with Modon properties for all future projects as part of our commitment to continue delivering transformational projects that enhance the special features of Abu Dhabi and support its economic growth and prosperity.



- **Other events/highlights (continued)**

- The Group has been allotted 109.6 million shares as a cornerstone investor in ADNOC Logistics & Services.
- The Group has actively participated as a key sponsor of ADIPEC 2023, the world's largest energy exhibition and conference where it showcased its pioneering efforts in leading marine industry towards sustainability and decarbonization. The Group signed several MOU's and agreements during this event.

Financial Results

The Group achieved revenues of AED 16,708 million and net profits of AED 2,154 million for the year 2023 as compared to revenues of AED 10,685 million and net profits of AED 1,304 million in 2022.

On achievement of this exceptional performance, the Director's have proposed a dividend of AED 618,750 thousand, representing 75% of the Share Capital.

Financial Position

The Group's total assets reached a value of AED 20.8 billion at the end of the year 2023, which is an increase of 30% from the year 2022. The growth is on account of significant increase in operations, investment in machinery and equipment.

The Group's equity stands at AED 8,604 million at end of the year 2023, which is an increase of 32% from the year 2022. The growth is primarily on account of profits earned in the year 2023.

In 2023 Group maintained a debt-to-equity ratio at 17% which is lower than in 2022 due to reduction in debt on account of repayments and increase in equity value as mentioned above.

Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested AED 1,197 million in fixed assets in the year 2023 compared to AED 821 million in the year 2022. The majority of the capital expenditure in 2023 relates to costs incurred on acquiring a new vessel, development of fabrication yard, and dry docking/upgrade of existing dredgers/support equipment.



Fleet

The Group currently owns a marine fleet of more than 120 vessels consisting of:

- 23 dredgers + 3 floating booster stations
- 3 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t -2,000t lifting capacity & more than 300 pax accommodation each)
- 3 towed Derrick / Pipelaying barges
- 4 Self Elevating Platform work barges
- 90+ other support craft (Tugs, Barges, Multicats, Accommodation barge, etc)
- Extensive range of land based equipment (Excavators, cranes, generators, etc)

Following the merger, cross utilization of the fleet between the main business units is a key element of the Group's fleet management strategy to ensure the maximization of utilization and cost effective work execution on our portfolio of projects.

In addition to the above, the Group operationally controls (ownership transfer in process) 1 large cutter suction dredger and 9 other dredgers.

Information Technology

During the year 2023, NMDC Group has demonstrated noticeable achievements in all areas. It has automated many business processes to increase efficiency, enable decision making, enhance business users' experience and implemented new solutions to enhance service delivery. The most significant IT project in progress is the **ERTIQAA** business transformation program which will enable employees and clients to unlock value and transcend on the path of becoming a gold standard of productivity and performance. Set out below are the major achievements during the year:

- AVEVA ERM Phase 1 A project live.
 - The AVEVA ERM system maintains project related data from commencement up to completion. Governing sectors are Engineering, Procurement, & Construction. Engineering is already implemented, while Procurement and Construction will be implemented in March 2024.
- Mobile Development
 - Mobile Development (Phase 1) involves creating a mobile application for both iOS and Android platforms. The app's purpose is to streamline various daily employee activities, including NMDC's Employee Leave requests, Timesheet management, Gate pass processing, and more.



Information Technology (continued)

- CRM (Customer Relationship Management) Application
 - Strengthens the relationship between NMDC Group and its customers. Track customer interactions and feedback, identify areas for improvement, and personalize the customer experience.
- DMS Implementation across the NMDC Group
 - DMS Implementation (Phase 2) aims to roll out NMDC's Document Management system across the entire group, encompassing both projects and corporate departments. This involves replacing the existing DMS with the new G-DMS, enabling us to leverage the enhanced features and functionalities of the new system.
- NMDC GPT
 - AI-powered chatbot developed in house. It's based on a large language model and specializes in having engaging, human-like conversations to provide informative and comprehensive answers. It assists with various tasks, such as composing emails, and remaining documents.

Quality, Health, Safety and Environmental (“QHSE”)

The year 2023 proved noteworthy for the QHSE department, marked by significant achievements and the establishment of synergy through the integration and fusion of the department across the business units (BU). This effort facilitated the announcement of NMDC-Group QHSEMS and practices. Additionally, the majority of the group- processes are mapped.

Strategic targets and initiatives are successfully met, aligning with our commitment to enhance our capacity to meet the expectations of both internal and external stakeholders. These efforts aimed to support business improvement initiatives and contribute to the positive impact on NMDC Group's overall financial performance.

Key achievements:

- All business units within NMDC Group have successfully passed the ISO 14001, ISO 45001, and ISO 9001 surveillance audits, along with OSHAD-SF, recording ZERO Non-Conformances (NCRs).
- NMDC Group recorded an impressive 0.05 for Lost Time Injury Frequency Rate (LTIFR) and 0.39 for Total Recordable Injury Frequency Rate (TRIR), surpassing our established benchmark.
- NMDC Group has completed the surveillance audit for ANAB certification (ANSI National Accreditation Board). NMDC Group is also accredited by OPITO. Furthermore, the inclusion of IOSH accreditation for Managing Safely is part of our training plan for new key personnel joining NMDC Group.
- NMDC Energy maintained weld repair rate lower than last year and significantly below the industry standard of 5%.
- Maintained an outstanding Project Quality Index above 93% (ARAMCO stretched target).



Quality, Health, Safety and Environmental (“QHSE”) continued

Key actions to elevate QHSE culture

- The QHSE Department successfully conducted over 715K QHSE training hours and executed 7 major HSE campaigns led by the corporate team.
- Conducted +100 Internal QHSE Audits across all departments, projects, and marine units as part of our Quality Assurance Program to ensure high-quality services.
- Management made 373 high-profile QHSE tours and site visits during 2023.
- The QHSE team conducted 13,823 Behavioural Safety Audits across all projects within NMDC Group to reinforce our safety culture and emphasize Safety as our top priority.

Our Competitive Strengths

We believe that we are well positioned to maintain and enhance our leadership position in the markets that we operate in, on account of our competitive strengths, some of which are:

The largest integrated EPC and Dredging company in the region

The merger transformed the NMDC Group into the leading integrated EPC company in the region, with increased scale, revenue and cost synergies, access to wider markets and revenue diversification (segmental, geographic and client base), and strong capabilities across the value chain to support future expansion plans.

Largest Portfolio of Marine Assets in the UAE

The Group owns a dredging and marine construction fleet consisting of 23 dredgers with capacities ranging from 1,795 KW to 26,100 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m³ and 8000m³. In addition, the Group owns 2 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity and more than 300 pax accommodation each, 1 Self Propelled Heavy Lift (With 2,500t lifting capacity with 240 pax accommodation), 3 towed Derrick / Pipelaying barges, and 4 Self Elevating Platform work barges.

These vessels are supported by a fleet of modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it continually reviews and expands its fleet to meet the demands of our customers, facilitate international expansion and provide a first class service on projects sanctioned.

Strong relationships with Customers

EPC Contracting and Dredging and Marine Construction are our main activities positioning us at the top as one of the largest players in the region, with an established track record and strong relationships with many customers in the region. Today our operations are highly-sophisticated, and the latest technology helps us meet our customer needs, and exceed their expectations.



Our strategic objectives

As a Group, we are committed to high quality and sustainable growth. Our strategy is underpinned by strategic objectives which consequently are each supported by many underlying initiatives:

- Cherish current markets
- Enter New Markets and Segments
- Strengthen Government, Client and Investor relations
- Improve Operations
- Control Projects
- Commit to Sustainability

These strategic objectives can only be accomplished when we assure that our internal operations are state-of-the-art from all aspects, therefore we will focus for the coming year on the following strategic enablers:

1. State-of-the-Art Systems
2. Motivated and skilled People
3. Efficient M&A

Internal control systems and their adequacy

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss.



Internal control systems and their adequacy (continued)

This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Risk Management, Quality and HSE. These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2023, the Company was subject to the following independent assessments and improvement initiatives on its internal control system:

Annual external audit and interim reviews of NMDC Group consolidated financial statements through Deloitte, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal controls.

Process reviews of NMDC Group business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2023 covered both core and support processes at NMDC Group, and were prioritized in accordance with Risk Analysis Methodology.

Compliance program was further strengthened by conducting fraud awareness workshops for employees across the group and via internal communications on code of business conduct and whistleblowing awareness.

Enterprise Risk Management practice is a crucial pillar for achieving NMDC Group desired business objectives, maintaining sustainability, and protecting all stakeholders interests efficiently and effectively, and therefore Risk Management practice is applied at the strategic level, corporate level and project levels across the Group.

The NMDC Group ERM framework and associated ERM policy was enhanced in 2023 along with the formation of a Group project Control & Risk Management department at the corporate level. The framework and policy were approved subsequently by the executive management. While global risks are intensifying with geopolitical tensions combined with technology driving new security risks, NMDC Group Risk Management Practice aims to enforce business sustainability and continuity by providing the means and mechanism to proactively manage and control threats and opportunities.

The Board met its internal control responsibilities in 2023 by reviewing presentations on independent assessments that were conducted, discussing control issues at Board meetings and reviewing the detailed reports from Board Committees, and found that the internal control environment was satisfactory for 2023. During 2023, the Company did not face any major issue requiring disclosure in any report or to the market.



Emiratization

Emiratization is a key performance indicator of NMDC Group vision and mission for the past years and surely for year 2023 across all its business units.

NMDC Group provides opportunities to Emiratis across the group, be it in office-based roles; or project-based role, onshore & offshore.

The Group is always striving to ensure Emiratization efforts are across all levels in the organization. For this through its Dredging Academy, the Dredging & Marine business units targets undergraduates Emiratis to prepare them for a career in the Dredging world. Similarly, our Energy BU welcomes yearly a good number of fresh graduates' engineers in various disciplines for its projects, and undergraduates for technician work at yards & workshops.

NMDC Group has collaborated with Government entities, universities and institutes to hire UAE Nationals in the EPC O&G construction and maritime transport industry through its fresh graduate engineering program.

In addition, the recruitment team prioritizes the selection of UAE nationals for all required vacancies across the group.

As of 2023, U.A.E Nationals constitute 9.6% of the organization workforce, with plans to keep increasing in the coming years.



ACKNOWLEDGMENT

On behalf of the Board, I wish to express our appreciation for the support and cooperation of the financial institutions, suppliers, subcontractors, business associates and government authorities and expect the same in future for sustaining the Group's growth rate. The Board would like to place on record its appreciation of the hard work, commitment and unstinting efforts put in by the Group's employees at all levels.

Mohammed Thani Murshed Al Rumaithi
Chairman

